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FOR IMMEDIATE RELEASE

## **VILLAGE OF RUIDOSO'S FY 09 AND FY 10 AUDITS APPROVED**

### **History of the Village of Ruidoso's Audits**

The Village of Ruidoso Mayor and Council will hear a presentation at their regular meeting on September 13, 2011 by Mr. Jeff McWhorter with the Accounting & Consulting Group releasing the Fiscal Year 09 and Fiscal Year 10 audits. These audits, as required by the New Mexico State Auditor, were conducted in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These audits include consideration of internal controls, assurance whether the financial statements are free of material misstatements and consideration of internal controls over financial reporting. Village of Ruidoso Management has already begun the FY 11 audit in July as contracted with Accounting & Consulting Group and because of the significant progress made, this audit will be submitted to the State Auditor's Office in December, required by State Audit Rule.

#### **History of the Village of Ruidoso's Audits:**

FY 06 Audit was **unqualified** and conducted by Pattillo, Brown & Hill, LLP. - Late audit, completed 02-09-07

**New City Manager employed July 2009**

FY 07 Audit was **unqualified** and conducted by Pattillo, Brown & Hill, LLP.  
Late audit, completed 10-16-09

**New Finance Director employed Nov 2009**

**FY 07 Audit Presented to Council January 12, 2010**

FY 08 Audit was **qualified** and conducted by Pattillo, Brown & Hill, LLP.  
Late audit, completed 02-02-10

FY 09 Audit was **disclaimer** and conducted by Accounting & Consulting Group, LLP  
(Accounting & Consulting Group, LLP is the largest auditing firm in New Mexico.)

Late audit, approved by State Auditor's Office August 11, 2011

FY 10 Audit was **disclaimer** and conducted by Accounting & Consulting Group, LLP  
Late audit, approved by State Auditor's Office August 11, 2011

**Village of Ruidoso Responses to the reported findings:**

Findings from FY 09 and FY 10 are a carryover from previous years:

- 191 in the financial report and 15 in the agreed upon procedures report, a total of 206 findings. Responses to each finding, which identify corrective action, are included in the Audit documents.

**Responses – Corrective Action in Progress:**

- Approach by new management was to prioritize the completion of audits and to address findings as they were uncovered by audit firm.
- Management was informed that bank reconciliations had not been reconciled for 26 months and prioritized the completion. Bank reconciliations were completed and are current. Internal controls were put in place requiring the Staff Accounting perform the reconciliations monthly; the Finance Director and the Village Manager both sign all reconciliation documentation. Positive Pay, a fraud prevention bank service, was implemented through the Village's Bank.
- Internal controls were implemented and new financial software containing internal controls was purchased. The new software also addresses the finding of the financial disconnect in departments within the Village. The Dos based financial system used by the Village was purchased in the 1980s and was not updated as the Village's finances increased. This system was unable to provide reports necessary to evaluate the financial condition of the Village and required manual entry as there was no interface of the payroll and Village departments collecting money. The new system provides the internal security that was completely lacking in the old Dos based system.
- Written disaster recovery documentation and required hardware is currently in process.
- The findings related to untimely deposits were addressed upon discovery and the employee responsible for this was removed from the finance department. Internal controls were put in place along with current bank reconciliations verifying the amount and date of deposits.
- The 38 findings related to federal awards and grant monitoring were addressed upon discovery and management hired an experienced Capital Projects/Grants Coordinator with a MAFM (Master's in Accounting and Financial Management), MBA (Master's in Business Administration), Project Management Methods and Mechanics Certification, 8 FEMA certifications from the Emergency Management Institute, 15 years' experience in project management and 7 years' experience in federal project management. The Capital Projects/Grants Coordinator tracks all capital projects and documents all expenditures, evaluates risks, and keeps management informed of activities.
- The 12 findings related to the Airport have been addressed with the hiring of a new qualified experienced full time Airport Manager who has 15 years of experience in Airport Operations and has a degree in Business Administration and Economics with a Major in Aviation Transportation Management. Internal controls are in place for all expenditures and receipt of revenues as well as tracking all fuel sales and implementing point of sale transactions.
- The findings of lack of Village inventories were addressed with the creation of the Fixed Asset Inventory. All department equipment, vehicles, and Village infrastructure and property were documented by a physical examination conducted by the Finance Department. An Inventory/Fixed Asset policy was written and approved by Council June, 2011. All departments have been trained on inventory documentation, consumable inventory documentation and inventory maintenance.
- The finding of lack of documentation was addressed with directives from management that all purchase orders would be audited upon issuance. All purchase orders are not issued if exceeding budgeted amounts and the Purchasing Policy is in the process of being revised to include disciplinary actions if not followed by all employees. Internal controls put in place for review of all invoices by staff accountant prior to payment by accounts payable.
- The finding related to the governing body not being actively involved in the Village finances was addressed with the implementation of **an Internal Audit/Finance Committee composed of two Council Members, Village Financial Advisor, Village Manager and Village Finance Director. This oversight Committee reviews all quarterly financial reports and other related financial issues.** Quarterly Financial Reports are now processed and given to Council Members for review regularly and the report is placed on the Village Web site for the public to review. The Village of

Ruidoso Annual Budget is also available on the Village Web site for the public review. Upon Council review, the Village Audits will be put on the Village Web site for public review.

- The Council has adopted a Code of Ethics for all members and signed by each Council member.
- A new Investment Policy was written and approved by Council in March, 2011. An Investment Quarterly Report is included in each Quarterly Financial Report. The Village has restricted reserves and unrestricted reserves in CDS at various Village banks. All collateralization has been reviewed and updated signature cards completed. Monthly rates and maturity dates are recorded and completed timely.
- The Village debts have been compiled and amortization tables recorded and included in Village Annual Budget Document. Mark Valenzuela of George K. Baum & Company has been employed to review and restructure all Village debt. Mr. Valenzuela has begun the process of refunding many of the Village loans to lower the interest rates being paid out.
- Implementation of annual organizational chart review is part of each new budget process.
- All new leases and contracts are reviewed by legal prior to Council review and approval.
- An Internal Personnel Committee was established and revised the personnel policy manual and this revised policy has been submitted to Council for review and approval.
- The finding related to lack of documentation has been addressed. All debt documents , all investment documentation, all prior year audits and budgets, all purchase orders, all account payable documents, all deposit documentation and budget adjustment documentation has been organized and filed for auditing access.
- The finding related to employee's lack of job responsibilities has been addressed by management through regular director meetings, job descriptions updated, and each Council packet contains a manager's report on department activities. It is management's expectation that every employee contributes, complete and executes all tasks assigned.
- The finding related to budget expenditures exceeding revenue has been addressed with the submission of only balanced budgets for Council to approve. Management submits estimated revenue to equal or exceed estimated expenditures for that year only and working on increasing the required reserves.

The Governing Body and Management for the Village of Ruidoso have taken an active and involved role in ensuring financial stability and is confident that proper accounting standards and internal controls are now in place.

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